

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1707-01
Bill No.: HB 516
Subject: Taxation and Revenue - General and Income; Elderly
Type: Original
Date: February 24, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$109,200,000 to Unknown)	(\$111,400,000)	(\$113,700,000)
Total Estimated Net Effect on General Revenue Fund	(\$109,200,000 to UNKNOWN)	(\$111,400,000)	(\$113,700,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume this bill would exempt all social security income from Missouri state income tax. This proposal would not impact BAP. The UMRC-Research Center has provided data that indicates that about \$1.754 billion in social security benefits are currently being taxed in Missouri. Assuming a 6% marginal tax rate, the annual state revenue loss associated with this bill would be about \$105.2 million. This data is for calendar year 2001. Assuming a 2% annual growth rate, the fiscal year losses are as follows:

FY 2004 \$109.2
 FY 2005 \$111.4
 FY 2006 \$113.7

Officials of the **Department of Revenue (DOR)** did not respond to our fiscal note request.

Oversight assumes the DOR would be able to handle any increase in telephone calls, walk ins, error correction and keying with existing resources. If additional personnel is needed, DOR can process the request through the normal budget process. **Oversight** assumes DOR will need to add a line to the individual income tax return and will show an unknown cost for programming changes.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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GENERAL REVENUE FUND

<u>Loss</u> - General Revenue			
Exclusion of Social Security Benefits	(\$109,200,000)	(\$111,400,000)	(\$113,700,000)

<u>Cost</u> - Dept. of Revenue			
Programming	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>

TOTAL ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$109,200,000)</u> <u>to</u> <u>UNKNOWN</u>	<u>(\$111,400,000)</u>	<u>(\$113,700,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

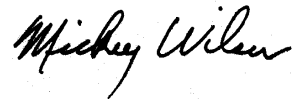
This bill allows a deduction from state individual income tax for any amount of Social Security benefits received that is included in federal adjusted gross income.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning

NOT RESPONDING: Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA
DIRECTOR
FEBRUARY 24, 2003